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BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2003-326-C

IN RE:

Analysis of Continued Availability of)
Unbundled Local Switching for Mass Market)
Customers Pursuant to the Federal Communication)
Commission's Triennial Review Order)
)

SUPPLEMENTAL DIRECT TESTIMONY OF DR. MARK T. BRYANT

On Behalf Of

MCI WORLDCOM COMMUNICATIONS, INC.

AND

MCIMETRO ACCESS TRANSMISSION SERVICES LLC

FEBRUARY 24, 2003

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Mark T. Bryant, and my business address is 4209 Park Hollow Court,
3 Austin, Texas.

4 **Q. ARE YOU THE SAME MARK T. BRYANT WHO PREFILED DIRECT**
5 **TESTIMONY IN THIS PROCEEDING ON DECEMBER 23, 2003?**

6 A. Yes, I am.

7 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

8 A. At the time of filing of my direct testimony, data were not available to populate
9 the impairment analysis tool that I described in my testimony. Data are now
10 available to populate the tool, and I am filing this supplemental testimony to
11 present the impairment analysis tool and to describe some of its results.

12 **Q. AT PAGE SIX OF YOUR DIRECT TESTIMONY, YOU STATED THAT**
13 **YOU WOULD SUPPLEMENT THE PERCENT OF LOOPS IN SOUTH**
14 **CAROLINA THAT ARE SERVED FROM DIGITAL LOOP CARRIER**
15 **SYSTEMS WHEN DATA BECAME AVAILABLE. WHAT IS THE**
16 **PERCENT OF LOOPS IN SOUTH CAROLINA THAT ARE SERVED**
17 **FROM DIGITAL LOOP CARRIER SYSTEMS?**

18 A. In BellSouth's South Carolina service territory, **** * of all loops are
19 served via fiber feeder and DLC.

1 **Q. AT PAGE 89 OF YOUR DIRECT TESTIMONY, YOU STATED THAT**
2 **YOU WOULD PRESENT CERTAIN RESULTS OF THE IMPAIRMENT**
3 **ANALYSIS TOOL THAT YOU DESCRIBED WHEN DATA WERE**
4 **AVAILABLE. CAN YOU PRESENT THOSE RESULTS AT THIS TIME?**

5 A. Yes. Attached to this testimony as Exhibit MTB-2 is a CD-ROM disk containing
6 the impairment analysis tool and the results of the impairment analysis for
7 BellSouth's operating territory in South Carolina.

8 **Q. HAVE ANY OF THE INPUT ASSUMPTIONS THAT YOU DESCRIBED**
9 **AT PAGES 87 THROUGH 89 OF YOUR DIRECT TESTIMONY**
10 **CHANGED?**

11 A. Yes. Since the filing of my direct testimony, MCI has obtained from TNS
12 Telecoms a data set that provides actual monthly household expenditures for
13 telephone service by wire center for all wire centers in South Carolina. These data
14 are based on TNS's ongoing survey of actual telephone subscriber bills, and
15 include expenditures for local, local long distance and long distance services
16 (including international long distance), as well as subscriber line charges and
17 taxes. I have calculated the average number of lines per residence location for
18 each wire center in South Carolina, and used this factor to convert the TNS
19 household spending data to an average expenditure per line. Business revenue is
20 based on the calculation of the differential between the bundled price for
21 residential and business services sold by MCI in South Carolina. These data are

1 used in the impairment analysis tool in place of the revenue assumptions that I
2 described in my direct testimony.

3 **Q. YOU STATED AT PAGES 89 AND 90 OF YOUR DIRECT TESTIMONY**
4 **THAT THE RESULTS OF THE IMPAIRMENT ANALYSIS TOOL ARE**
5 **SENSITIVE TO THE INPUTS THAT ARE SELECTED, AND INDICATED**
6 **THAT YOU WOULD UPDATE YOUR TESTIMONY WITH**
7 **ILLUSTRATIVE EXAMPLES. WILL YOU UPDATE YOUR DIRECT**
8 **TESTIMONY AT THIS TIME?**

9 A. Yes. The results are highly sensitive to the inputs selected. To illustrate this point,
10 I have selected two wire center markets in the same LATA in South Carolina, and
11 run the analysis tool using a range of plausible inputs. This demonstrates that the
12 CLEC will face significant uncertainty as to its prospects of recovering its sunk
13 cost investment in most markets.

14 The results for these two wire centers illustrate how the impact of input
15 selections will itself be a function of the characteristics of the wire center,
16 including: the number of residential and business customers; the extent to which
17 customers are served by DLC, which forecloses the CLEC from providing DSL
18 service; and the distance to the CLEC switch. Exhibit MTB-3 shows how average
19 net revenue varies in response to changes in the inputs.

20 In this chart, the results of the impairment analysis tool are shown for two
21 wire centers in the Columbia exchange area. The histogram displays the number
22 of cases, out of 250 scenarios, where the net revenue per line for the wire center
23 fell into each of 57 categories, ranging from \$(40.00) or less per month to \$15.00

1 or more per month. While the CLMASCAR wire center tends to be more
2 profitable than the CLMASCDF wire center, it still produces negative net revenue
3 in 117 out of the 250 scenarios (46.8%). The CLMASCDF wire center produces
4 positive net revenue per line in only 20 of the 250 cases (8.0%).

5 Note that although the two wire centers are both located in the Columbia
6 exchange area, and both are in Rate Zone 1, the characteristics of each wire center
7 cause dramatically different results given the same set of inputs. This reinforces
8 the point I made at the beginning of this testimony; that the ability of a CLEC
9 profitably to provide local exchange services in one wire center is not proof that
10 other wire centers in the same exchange, the same metropolitan area, or the same
11 LATA also can be served.

12 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

13 A. Yes, it does.

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